

The Commonwealth of Massachusetts

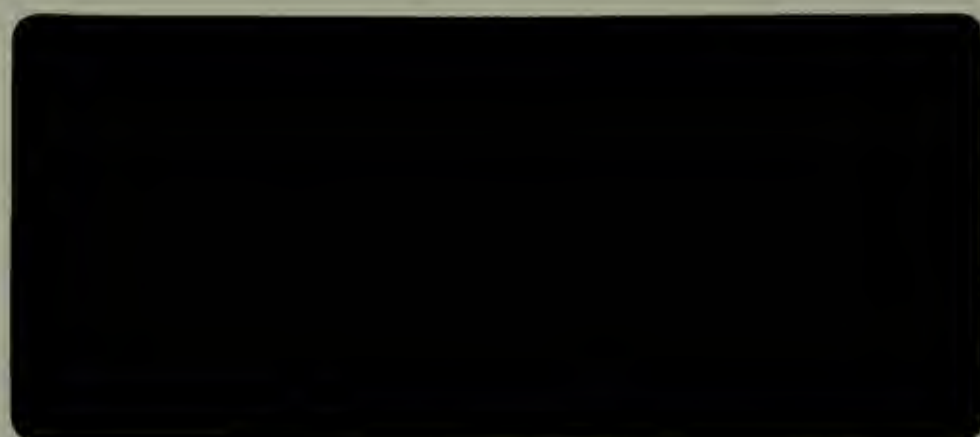
AUDITING MEDICAID TRANSPORTATION SERVICES

January 5, 1984

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A Report by the
Senate Committee on Post Audit and Oversight

Senator Louis P. Bertonazzi, Chairman





The Commonwealth of Massachusetts

SENATE COMMITTEE ON POST AUDIT AND OVERSIGHT

Room 314, State House

Boston, MA 02133

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Chairman

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SEN. PATRICIA MCGOVERN
SEN. MARY L. PADULA

JOEL A. KANTER
Bureau Director

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Commonwealth of Massachusetts

MASSACHUSETTS SENATE

The Honorable William M. Bulger
President of the Senate

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Sen. Louis P. Bertonazzi, Chairman

Sen. Walter J. Boverini
Sen. John A. Brennan, Jr.
Sen. Anna P. Buckley
Sen. Patricia McGovern
Sen. Mary L. Padula

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JOEL A. KANTER
Bureau Director

FOREWORD

This report comprises an extensive review of the Medicaid transportation financial audit system. I am pleased to report that this investigation shows that the performance level of the Provider Review and Sanctions Unit is most adequate. Although no auditing system will uncover every case of fraud, the stringent control mechanisms in place provide a high level of deterrence for those who would abuse the system.

The concerns that led us to undertake this audit were threefold. One, it was reported that unnecessary burdens were being placed on taxi and ambulance companies serving as vendors to the state's Medicaid program. Two, there was the related concern with the acceptability and accessibility of services to a predominantly dependent population, that is, the elderly and the poor. Three, we wish to ensure that the potential for abuse of Medicaid-funded transportation services be minimized.

Our investigation documents a high level of productivity among the staff and the existence of a sound and highly efficient audit program. I am pleased to report the Committee's commendation to this agency, and would like to extend the Committee's thanks to Ms. Nancy Hanley of the Transportation Division whose expertise was invaluable in the timely completion of this report.

Louis P. Bertonazzi

Senator Louis P. Bertonazzi

Chairman

Senate Committee on Post Audit
and Oversight

TABLE OF CONTENTS

FOREWORD	i
EXECUTIVE SUMMARY	1
I. BACKGROUND INFORMATION	2
II. SCOPE OF THE AUDIT	4
III. THE AUDIT	5
A. Programs	5
B. Closed Cases	6
C. Interviews	6
D. Unit/Division's Control and Tracking Procedures	6
E. Industry Survey	6
F. Analysis of the Extrapolation Method	7
IV. FINDINGS	8



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EXECUTIVE SUMMARY

This report reviews the Transportation Division of the Provider Review and Sanctions Unit of the Department of Public Welfare. This division is responsible for monitoring compliance with the Massachusetts Medical Assistance Program, which provides transportation for medical public assistance clients in the Commonwealth. In FY1983, the division was responsible for the oversight of 367 vendors providing five types of transportation services: Dial-A-Ride, Taxi, Chair Car, Ambulance, and other licensed carriers. Collectively, these providers were paid over \$7,200,000 during fiscal year 1983.

The Committee's investigation found that the transportation audit program is sound and the staff is efficient and professional. With a staff of two auditors and one sanctions officer, the Transportation Division recovered over \$209,000 from Medicaid transportation providers on a cash accounting basis in fiscal year 1983. Because of the stringent audit procedures in place, voluntary compliance among providers is very high and it must be assumed that the existence of the audit division provides deterrence for those who would abuse this system. The Committee commends the effectiveness and efficiency of the Transportation Division.

I. BACKGROUND INFORMATION

The Provider Review and Sanctions Unit of the Massachusetts Department of Public Welfare is the designated agency responsible for monitoring provider compliance with the Massachusetts Medical Assistance Program. Authority is derived from both federal and state laws and regulations: Sec. 1902 of the Social Security Act; 42 C.F.R. 456.3; Massachusetts General Laws Ch. 118E Sec. 20 and Sec. 26; 106 C.M.R. 450.204-.338.

The Office of Medicaid Transportation Audits, a division of the Provider Review and Sanctions Unit, is charged with monitoring over 350 providers of transportation of Medicaid recipients to and from medical facilities. Random audits are conducted when an invoice exceeds \$10,000; audits are also conducted on vendors from whom revenue has been recovered in the past, and other randomly selected vendors. This performance audit is concerned only with the Transportation Division.

Within the Medicaid program, there are five (5) types of transportation providers that are periodically audited:

1. Dial-A-Ride
2. Taxi
3. Chair Car
4. Ambulance
5. Other licensed carriers

From an auditing standpoint, all five are essentially the same as far as methods of payment and auditing procedures are concerned. Any variation that arises is of an insignificant nature due to the scope of this audit.

The Office of Medicaid Transportation Audits (OMTA) is primarily concerned with the monetary aspects of the transportation program, that is, with the vendors/suppliers of transportation. The question of recipient eligibility enters into the picture only minutely since this aspect is the major responsibility of another division. For example, use of taxis by Medicaid

recipients is allowed with prior approval from the local welfare office. Such approval is generally for one-month periods* and stipulates the pick-up and destination points and how often such transportation is necessary. The taxi companies submit an invoice with the Medicaid recipient's name, pick-up point, destination, and the cost of the trip. If an OMTA auditor suspected an abuse on the part of a recipient, he would notify the proper division through department channels.

*Although the majority of approvals are for one-month periods, duration of an approval is generally dictated by the Medicaid recipient's health care circumstances, e.g., a dialysis patient may be granted prior approval for up to a year, and alternatively, the Department of Public Welfare may authorize only one trip in certain cases.

II. SCOPE OF THE AUDIT

Originally, this review was to encompass the entire spectrum of transportation funding issues. However, upon further review, concentration was centered upon the Provider Review and Sanctions Unit (PRSU). After a general overview of the entire unit by the Post Audit Bureau, the scope was further narrowed to encompass only the audit and review section of the PRSU, since the sanctions function is really an enforcement arm primarily dependant upon the findings of the audit and review process.

Initially the following questions were of primary concern:

1. Existing audit programs:
 - a. Should there be different programs relating to each individual transportation type?
 - b. Have the existing programs been updated so as to encompass current rules and regulations?
 - c. Is there unnecessary documentation involved?
 - d. Are the current programs being adhered to in a professional manner?
 - e. Are requests for the production of records reasonable?
 - f. Are all departmental procedures being followed and are they being reasonably applied?
2. Is there an adequate system of checks and balances?
3. Is there economic/monetary justification for the existence of the audit division? Does the revenue produced equal or exceed the expenditures involved in the deployment of personnel. What other benefits can be acknowledged as a result of its efforts?
4. What is the general overall productivity level of the unit's personnel?
5. Suggestions for Improvement.

III. THE AUDIT

The Senate Post Audit Bureau organized the preceding questions into the following categories: programs, closed cases, interviews, control and tracking procedures, industry survey, and analysis of the extrapolation method. In its analysis, the Bureau reviewed the appropriateness of the work performed by the Transportation Division, with particular attention paid to the methods employed in disallowing claims.

The Transportation Division is empowered to disallow provider invoices as a result of failure to comply with any one of the following 21 requirements:

- 1) No Record of Service
- 2) Name of Recipient Not Documented
- 3) Date of Service Not Documented
- 4) Time of Trip Not Documented
- 5) Origin of Trip Not Documented
- 6) Destination of Trip Not Documented
- 7) Vehicle Identification Number Not Documented
- 8) Use of Second Attendant Not Documented
- 9) Additional Passenger Charged Full Fare
- 10) Name of Driver Not Documented
- 11) No Return Trip Indicated
- 12) Additional Mileage Not Documented
- 13) Third Party Insurance
- 14) Referring Source Not Documented
- 15) Transfer Between Like Facilities
- 16) Medical Diagnosis Not Documented
- 17) No Prior Approval
- 18) Waiting Time Billed Inappropriately
- 19) Duplicate Billing
- 20) Incorrect Procedure Code Billed
- 21) Billed in Excess of Usual and Customary Fee

A. Programs

Existing pre-audit and audit content programs were analyzed and cross-checked to insure completeness and relevance. Programs dating back to 1978 were compared to programs utilized in 1982 and 1983 to insure consistency when analyzing them in relation to closed cases. Documentation required in order to originate a transaction, and the vendors subsequent reporting procedures, were cross-checked for completeness and relevance.

B. Closed Cases

Numerous closed case files were audited in order to gain an understanding of the audit process and gauge past compliance levels of both auditors and providers. During this process very definite trends emerged. Common areas of transgression were pinpointed and researched. Many cases were researched all the way to settlement in order to understand the monetary relevance and final outcome.

C. Interviews

Upper management, supervisors, and operation auditors were interviewed in order to ascertain relevant concerns of key personnel. Division personnel staged an audit walk-through designed to simulate actual audit procedures.

D. Unit/Division's Control and Tracking Procedures

For purposes of this review, the central issue with regard to the Division's control and tracking procedures was: Are there systems and/or controls in place to aid management in promoting efficiencies and measuring productivity levels?

E. Industry Survey

Two vendors from each class of provider were interviewed in order to assess the following:

- a. Is the present auditing function carried far enough to insure a healthy atmosphere of voluntary compliance within the transportation community?
- b. Is the auditing function carried to such an extreme that it is actually hindering program goals to the extent that providers no longer care to participate in the state welfare transportation program?

F. Analysis of the Extrapolation Method

The extrapolation method is the statistical method whereby an auditor selects a small sample of bills around which he conducts an extensive audit, ascertains the results, and then applies the results--the percentage of disallowed claims--to all bills submitted during the year.

The following form illustrates the statistical method employed in the extrapolation analysis:

A.	Total dollar amount paid in review period	\$ _____
B.	Total dollar amount audited	\$ _____
C.	Total number claims paid in review period	_____
D.	Total number of claims audited	_____
E.	Total number of recipients in review period	_____
F.	Total number of recipients audited	_____
G.	Total number of claims in error	_____
H.	Amount of overpayment in sample	\$ _____
I.	Extrapolated overpayment for review period	\$ _____

IV. FINDINGS

In fiscal year 1983, the Transportation Division recovered \$209,495 from Medicaid transportation providers on an end-of-year cash accounting basis. Because of cases pending at the end of the fiscal year, it is estimated that on an accrual basis, the program will recover somewhat over \$500,000 attributable to FY 83 audit activities.

During the fiscal year, payments to transportation vendors for the four out of the five categories listed below totaled \$7,210,455. As the following table shows, payments to vendors are increasing substantially on a year-to-year basis, thus the importance of the audit function.

PAYMENTS TO VENDORS BY CATEGORY* AND PERCENTAGE CHANGE

FY 1981 - 1983

	<u>FY 1981</u>	<u>FY 1982</u>	<u>% Change</u>	<u>FY 1983</u>	<u>% Change</u>
Taxi	2,359,769	2,231,648	-5.4	2,525,752	13.2
Dial-A-Ride	48,318	50,075	3.6	37,330	-25.4
Ambulance	1,800,942	1,918,196	6.5	2,044,853	6.6
Chair Car	2,283,571	2,315,165	1.4	2,602,520	12.4

* Totals provided by the PRSU.

The PRSU Transportation Division functions with two full-time auditors and one sanctions officer. Given the amount of revenue that is recovered on an annual basis, it is readily apparent that the audit program appears to be cost-efficient, and the PRSU appears to have accomplished a consistent track record of effectiveness. It has a high degree of visibility within the provider community thereby promoting an atmosphere of voluntary compliance. Because so much documentation is required to submit claims, key personnel at Medicaid feel the cumbersome nature of the PRSU claim documentation

process--and particularly the extrapolation method--may serve to force some providers out of this field.

First, all audit programs were fundamentally sound. They all cross-footed, were complete and well organized, and are periodically updated. In all closed case files that were selected for this audit, all had a very clear and precise audit trail which is very important in cases of this nature.

Second, closed Case Reviews reviewed by the bureau were found to be complete and well organized, all documentation required was found, any comments by participants were passed along, follow-through and end results are well documented.

Third, substantive criteria is used to select audit candidates based on The Provider Payment Profile, a computer generated profile showing invoicing by provider, and by recipient with monetary totals for specified periods of time (usually a fiscal year). This information is studied by division auditors for inconsistencies and totals are checked to determine which set of parameters any given provider would fall into based upon actual billings. The system, although computerized, falls short by today's standards for an adequate MIS system. Because of the antiquated nature of this system and because it is not internally generated, managerial tracking as to different categorial efficiencies and divisional goals are extremely difficult to track. However, through the interview process, we learned that almost all providers with annual state billings that exceed \$10,000 are audited every year.

During the course of this investigation, the Post Audit Bureau was informed by division personnel that within the next two to three months a new management information system system will be fully implemented. The Medicaid Management Information System (MMIS) designed by Systems Development Corporation, of Lexington, Massachusetts will be an integrated on-line system. For the transportation division, the system has actually been in place since September 1, 1983, though for example, the system has been unable to process a chair car claim since that date. Nonetheless, it is expected that once the system is fully activated it will provide for streamlined reporting and auditing functions.

Fourth, overall productivity of the unit's personnel is most adequate. However, since there is no clearly defined cost accounting system in place, establishing an overhead factor that is both accurate and equitable is not in the foreseeable future. Month-to-month tracking, the only kind that in our judgement is all of the aforementioned, is not in place at this time. The implementation of the computerized management information system should help in this area.

Fifth, during the early stages of the review, various questions arose as to the statistical validity of the aforementioned extrapolation method. A small percentage of closed case files audited initially indicated that the total number of recipients audited versus the total number of recipients in the review period was statistically invalid. Further on into the auditing process, it was found that revisions to the extrapolation method had been implemented thereby improving statistical validity.

The findings of the Post Audit Committee indicate that the extrapolation method is a stringent and highly effective control mechanism. For example, in fiscal year 1982, one provider who had submitted bills totaling \$86,400--representing 7,900 individual claims--had 560 of those claims audited. The Transportation Division found an overpayment of over \$300 in the sample claims audited, and then extrapolated the overpayment for the entire number of claims submitted, resulting in over \$6,000 recovered from this particular vendor. In another case, one provider who had billed for over \$51,000 in services--representing 1,700 claims--had 230 claims audited by the Division. The Division found a substantial number in error and through the extrapolation method recovered over \$16,000 in revenue.

Sixth, a survey of eight closely held corporations was conducted. Under other circumstances a larger population would be justified. However, due to the very nature of any voluntary compliance monetary system coupled with the fact that the opinions of these eight proved to be quite similar, they were thought to be sufficient for illustrative purposes.

Seven of the above corporations are actually sole proprietorships (owned by one individual) with the remaining a family partnership.

All eight companies are of the opinion that the PRSU unit of the Department of Public Welfare is an effective deterrent in the system of voluntary compliance. They are all of the opinion that many of the system regulations are needless and abusive. Four of the above that have had dealings with the PRSU unit are extremely critical of the extrapolation method. However, in spite of the fact that the process allows each provider to produce paperwork that can refute the findings produced via the extrapolation method, very few have in fact gone this route.

